

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 IO-13 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 /100 W

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FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 8179

INFO USDEL MTN GENEVA

AMEMBASSY PORT AU PRINCE

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E.O. 11652: N/A

TAGS: ETRD, EFIN, DR

SUBJ: NEW IMPORT RESTRICTIONS TO COPE WITH BALANCE-OF-PAYMENTS
DEFICIT

REF: SANTO DOMINGO 4275

1. IN EFFORT TO COPE WITH MOUNTING BALANCE-OF-PAYMENTS (B/P) DEFICIT, MONETARY BOARD ON SEPTEMBER 2 ADOPTED NEW MEASURES RESTRICTING IMPORTS: (1) LARGE NUMBER OF ITEMS, PARTICULARLY LUXURY AND OTHER CONSUMER GOODS, WERE ADDED TO CATEGORY FOR WHICH OFFICIAL FOREIGN EXCHANGE IS NOT AVAILABLE; (2) PICKUPS, TRUCKS, JEEPS, TRAILERS, AND TRACTOR-TRAILERS WILL NOW REQUIRE A PRIOR DEPOSIT IN PESOS AT THE TIME ORDERS ARE PLACED, MEANING, IN EFFECT, PRIOR DEPOSITS OF SOME 90 TO 180 DAYS, AND (3) QUOTA ON FOREIGN EXCHANGE FOR IMPORTATION OF ABOVE NUMERATED VEHICLES AND TRAILERS FROM NOW UNTIL NEXT JANUARY 31 TO BE 15 PERCENT OF AVERAGE ANNUAL FOREIGN EXCHANGE DISBURSEMENTS FOR IMPORTS OF SAME DURING BASE PERIOD OF JULY 1, 1973, TO JUNE 30, 1976.

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2. AS RESULT OF FIRST MEASURE IMPORTERS WILL BE FORCED TO

GO TO THE PARALLEL MARKET FOR FOREIGN EXCHANGE, MEANING AN ADDED COST TO THE CONSUMER OF SOME 15 TO 20 PERCENT. EMBASSY WILL FORWARD THIS LIST BY SEPTTEL. (IMPORTERS OF AFOREMENTIONED VEHICLES OR TRAILERS PRESUMABLY CAN STILL USE PARALLEL MARKET ALSO.)

3. PRIOR-DEPOSIT MEASURE IS TWO-FOLD ATTACK ON GROWING B/P DEFICIT: (1) DOMESTIC MONEY SUPPLY AND CREDIT WILL BE REDUCED, AND (2) IMPORTS WILL BE MORE EXPENSIVE DUE TO FOREGONE EARNINGS ON PESO DEPOSIT.

4. SIMULTANEOUSLY WITH THE NEW IMPORT RESTRICTIONS, THE MONETARY BOARD WAS ENLARGED BY TWO WITH THE NAMING OF BERNARDO VEGA, CLOSE ASSOCIATE AND PART-TIME CONSULTANT OF CENTRAL BANK GOVERNOR FERNANDO PERICHE, AND FEDERICO NINA, LOCAL LAWYER. TWO REPRESENTATIVES OF PROMINENT OLIGARCH FAMILIES, GEORGE ARZENO BRUGAL AND JOSE M BONETTI, WERE NAMED ALTERNATES TO THE MONETARY BOARD.

5. COMMENT: WHILE THESE MEASURES MAY NOT BE SUFFICIENT TO COPE WITH THE ULTIMATE B/P DEFICIT, WHOSE PROBABLE MAGNITUDE CONTINUES TO GROW WITH DEPRESSED SUGAR PRICES, IT IS, NEVERTHELESS, ENCOURAGING THAT THE BALAGUER GOVERNMENT IS NOT HESITATING IN FACING UP TO THIS PROBLEM. IN REFTTEL LAST WEEK EMBASSY REPORTED THAT THE BIG QUESTION WOULD BE WHAT THE CENTRAL BANK GOVERNOR WOULD DO WITH MONETARY POLICY ONCE HE GOT CONTROL OF IT. IT IS NOW BECOMING APPARENT THAT HE IS NOT LOSING ANY TIME IN MOVING EXPEDITIOUSLY. THE NEW MONETARY BOARD MEMBERS APPEAR TO BE PERICHE MEN, BALANCED BY ALTERNATES FROM THE OLIGARCHY IN ORDER TO REASSURE THE MORE CONSERVATIVE ELEMENTS. PERICHE ATTEMPTED TO REASSURE BUSINESS AND FINANCIAL CIRCLES FURTHER BY STATING ON TELEVISION THAT IMPORT RESTRICTIONS WOULD NOT BE IMPOSED PRECIPITATELY AND STATING REPEATEDLY THERE WOULD BE NO DEVALUATION AS IN MEXICO.

HURWITCH

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Margaret P. Grafeld
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